

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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January 29, 2009

Mr. Daryl Halls, Executive Director
Solano Transportation Authority
One Harbor Center, Suite 130
Suisun City, CA 94585

Re: Solano Transportation Authority
Audit of Indirect Cost Allocation Plan for Fiscal Year 2009
File No: P1190-0712

Dear Mr. Halls:

We have audited the Solano Transportation Authority's (STA) Indirect Cost Allocation Plan (ICAP) for the fiscal year ended (FYE) June 30, 2009 to determine whether the ICAP is presented in accordance with 2 Code of Federal Regulations (CFR) Part 225 and the California Department of Transportation's (Department) Local Programs Procedures (LPP) 04-10. The STA management is responsible for the fair presentation of the ICAP. The STA proposed an indirect cost rate of 84.14 % of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the STA. Therefore, we did not audit and are not expressing an opinion on the STA's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the STA, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in 2 CFR Part 225 and the Department's LPP 04-10, and is not intended to present the results of operations of the STA in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a comparison of the ICAP to single audit report for the FYE June 30, 2007, inquiries of STA personnel, and a comparison of the FYE June 30, 2009 ICAP to prior year ICAPs, and prior audit field work performed by Department staff on March 14, 2007. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our finding and recommendation take into consideration the STA's response dated November 5, 2008, to our November 4, 2008 draft finding. Our finding and recommendation, a summary of STA's response and our analysis of the response are detailed below.

AUDIT RESULTS

Based on audit work performed, the STA's ICAP for the FYE June 30, 2009 is presented in accordance with 2 CFR Part 225 and LPP 04-10. The approved indirect cost rate is 84.14% of total direct salaries and wages, plus fringe benefits. The approval for FYE June 30, 2009 is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

Finding

The STA's original ICAP submittal to the Department included, in the fiscal year 2007 indirect cost pool, unallowed costs in the amount of \$19,800 for a Vehicle Purchase and \$12,115 in Computer Equipment costs. 2 CFR Part 225, Appendix B, item 15 a and b, states, in part, that general purpose equipment, which is an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the government unit of financial statement purposes, or \$5,000, such as office equipment and furnishings, information technology equipment and systems, and motor vehicles, are unallowable as indirect costs. Including unallowed costs in the indirect cost pool results in an overstated indirect cost rate.

Recommendation

Per our request, the STA removed the unallowable costs from the FY 2007 indirect cost pool as these materially affected the fiscal year 2009 proposed rate, and instead included \$10,387 of audited accumulated depreciation costs. However, we recommend that the STA ensure that, in the future, costs that do not meet the allowability criteria established by the 2 CFR Part 225 be excluded from the indirect cost pool.

STA Response

In its response, the STA stated that it concurs with the finding and will make sure future STA ICAP submittals are in accordance with the guidelines.

Analysis of Response

The finding and recommendation remain.

This report is intended solely for the information of the STA, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Allocation Plans for your files. Copies were sent to the Department's District 4, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Elena Guerrero, Auditor, at (916) 323-7954 or Teresa Greisen, Audit Manager, at (916) 323-7910.



MARYANN CAMPBELL-SMITH
Chief External Audits

Attachments

- c: Brenda Bryant, Director, Financial Services, Federal Highway Administration
- Tom Marez, Section Chief, Local Assistance Accounting Branch, Division of Accounting
- Andrew Knapp, Transportation Planner, Transportation Planning
- Dan Mundy, Branch Chief, Mass Transportation
- Sylvia Fung, Local Program Engineer, District 4
- Saeed Totonchi, Local Program Engineer, District 4
- P1190-0712



2009 Indirect Cost Allocation Plan

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the Solano Transportation Authority and approved by Caltrans.

SECTION 1: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Fixed with carry forward	7/01/08 to 6/30/09	84.14%	All Programs

* Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rate in this Agreement is subject to any statutory or administrative limitations and applies to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rate is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) The estimated costs used in the calculation of the approved rate are from the grantee's approved budget in effect at the time of approval of this plan.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on estimate of the costs for the period covered by the rate. When the actual costs for this period are determined - either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audit financial statements - any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this agreement by the Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by Caltrans in State-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate of Calculation:

FY 2009 Budgeted Indirect Costs	\$1,130,803
Carry Forward from FY 2007	<u>2,070</u>
FY 2009 Adjusted Indirect Costs	\$1,132,873
FY 2009 Budgeted Direct Salaries and Wages plus Fringe Benefits	\$1,346,359
FY 2009 Indirect Cost Rate	84.14%

CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect costs rates for fiscal year 2009 (July 1, 2008 to June 30, 2009) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for

State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Governmental Unit: Solano Transportation Authority (STA)

Signature: 

Reviewed, Approved and Submitted by:

Name of Official: Daryl K. Halls

Title: Executive Director

Date of Execution: 9/22/08

Signature: 

Prepared by:


Name of Official: Susan Furtado

Title: Financial Analyst/Accountant

Telephone No.: (707) 424-6075

INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.

Signature: 

Reviewed and Approved by:

Name of Audit Manager: Mary Ann Campbell-Smith

Title: Chief External Affairs

Date: 1/29/09

Phone Number: (916) 323-7111

Signature: 

Reviewed and Approved by:

Name of Auditor: Elena Guerrero

Title: Auditor

Date: 1/29/09

Phone Number: (916) 323-7954



Attachment #1

Carry Forward Calculation

	FY 2007	FY 2008	FY 2009
Approved Rate	80.35%	90.89%	84.14%
<u>INDIRECT COST CARRY FORWARD</u>			
Carry Forward	0	0	2,070
Indirect Cost from Single Audit	797,423		Estimated Indirect Cost (FY 2009 Budget) 1,130,803
Total Indirect Cost	797,423		Total Estimated Indirect Cost 1,132,873
Recovered Costs:			
Direct Salaries & Fringe Benefits	989,860		Estimated Direct Salaries & Wages (From FY 2009 Budget) 1,346,359
Approved Indirect Rate	80.35%		
Total Recovered Indirect Costs	795,353		
Indirect Carry Forward	2,070		
DIRECT SALARIES & FRINGE BENEFITS (Per Single Audit):			
General Fund	793,836		
Special Revenue Fund	196,024		
Total Direct Salaries & Fringe Benefits	989,860		



Solano Transportation Authority

**Budget Financial Statement FY 2008-09
Indirect Cost Allocation Plan (ICAP)**

Description	Total Budget Cost	Less: Exclusion	SNCI	Project Development	Strategic Planning	Total Direct Cost	Indirect Cost
Personnel Cost:							
Full time employees	1,498,069	160,423	393,265	272,607	266,692	932,564	405,082
Stipends/Non-Full Time Employee	42,313	15,300	-	-	-	-	27,013
Total Salaries	\$ 1,540,382	\$ 175,723	\$ 393,265	\$ 272,607	\$ 266,692	\$ 932,564	\$ 432,095
Fringe Benefits	680,758	69,136	180,094	121,334	112,367	413,795	197,827
Total Personnel Cost	\$ 2,221,140	\$ 244,859	\$ 573,359	\$ 393,941	\$ 379,059	\$ 1,346,359	\$ 629,922
						To attachment #1	
Other Cost:							
Contract Employees	\$ 16,000	-	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ 10,000
Legal Services	190,000	10,000	10,000	100,000	-	110,000	70,000
Audit Services	21,650	-	6,650	-	-	6,650	15,000
Other Professional Services	16,000	-	-	-	-	-	16,000
Accounting & Personnel Services	50,846	-	14,940	-	-	14,940	35,906
Consultant Services	29,921,426	235,000	508,046	27,959,387	1,213,993	29,681,426	5,000
Telephone	20,700	-	12,000	-	700	12,700	8,000
Phone	7,600	-	1,000	-	-	1,000	6,600
Lease	202,179	-	60,654	-	-	60,654	141,525
Property & Liability Insurance	58,000	-	9,000	-	-	9,000	49,000
Advertising	96,436	-	90,436	-	-	90,436	6,000
Printing/Binding	53,042	-	8,500	3,000	1,542	13,042	40,000
Mileage Reimbursement	12,737	600	2,437	900	1,750	5,087	7,050
Training/Conferences/Lobbying	43,828	22,500	3,200	3,628	6,500	13,328	8,000
Professional Membership/Periodicals	15,000	6,500	4,000	-	2,000	6,000	2,500
General Supplies	93,631	5,500	47,404	2,427	16,500	66,331	21,800
Postage	17,591	1,500	5,891	-	200	6,091	10,000
Computer Software	10,000	-	2,000	-	2,000	4,000	6,000
Office & Equipment/Maintenance	13,000	-	5,000	-	-	5,000	8,000
Vehicle Maintenance	1,500	-	500	-	-	500	1,000
Interest & Late Fees	500	500	-	-	-	-	-
Lease Payments	30,000	-	9,000	-	-	9,000	21,000
Office Equipment & Furniture Purchase	11,000	-	1,000	-	-	1,000	10,000
Computer Equipment	4,500	-	2,000	-	-	2,000	2,500
Building Maintenance	-	-	-	-	-	-	-
Contingency & Insurance Self Retention Reserve	108,801	108,801	-	-	-	-	-
Total Other Cost	\$ 31,015,967	\$ 390,901	\$ 809,658	\$ 28,069,342	\$ 1,245,185	\$ 30,124,185	\$ 500,881
Total Expenditures	\$ 33,237,107	\$ 635,760	\$1,383,017	\$ 28,463,283	\$ 1,624,244	\$ 31,470,544	\$ 1,130,803

From attachment #4

From attachment #3

From attachment #4

From attachment #4

From attachment #4

To attachment # 1

Note:

1. Total Expenditures calculation are based on STA's approved budget for FY 2008/09 as of July 9, 2008.
Exclusions are in accordance with OMB A-87.

Audited Financial Statement Fiscal Year (FY) June 30, 2007

Indirect Cost Rate Plan - Final

Description	(a) Total Budget Cost	Less: Exclusion ²	SNCI	Project Development	Strategic Planning	Total Direct Cost	Indirect Cost
Personnel Cost:							
Full time employees	1,120,957	139,979	254,233	189,804	224,280	668,317	312,661
Stipends/Non-Full Time Employee	27,834	13,200	-	-	14,048	14,048	586
Overtime	20	-	20	-	-	20	-
Total Salaries	\$ 1,148,811	\$ 153,179	\$ 254,253	\$ 189,804	\$ 238,328	\$ 682,385	\$ 313,247
Total Fringe Benefits	526,392	61,344	120,522	78,149	108,804	307,475	157,573
Total Personnel Cost	\$ 1,675,203	\$ 214,523	\$ 374,775	\$ 267,953	\$ 347,132	\$ 989,860	\$ 470,820
Other Cost:							
Contract Employees	\$ 2,652	-	\$ 687	\$ -	\$ -	\$ 687	\$ 1,965
Legal Services	94,191	-	8,255	24,663	-	32,918	61,273
Audit Services	17,857	-	5,357	-	-	5,357	12,500
Other Professional Services	259,816	-	14,520	28,093	211,260	253,873	5,943
Accounting & Personnel Services	33,880	-	-	-	-	-	33,880
Consultant Services	8,142,744	126,745	469,987	6,673,266	872,746	8,015,999	-
Telephone	21,094	-	12,044	288	204	12,536	8,558
Cell Phone	5,907	-	805	-	-	805	5,102
Office Lease	142,487	-	42,746	-	-	42,746	99,741
Property & Liability Insurance	8,538	-	2,561	-	-	2,561	5,977
Advertising	63,262	2,119	37,025	-	16,821	53,846	7,297
Printing/Binding	7,914	-	190	-	4,804	4,994	2,920
Mileage Reimbursement	6,041	383	1,688	417	1,225	3,330	2,328
Training/Conferences/Lobbying	26,256	14,636	1,167	173	2,664	4,004	7,616
Professional Membership/Periodicals	10,438	5,000	2,420	-	175	2,595	2,843
General Supplies	66,831	6,200	22,233	1,040	18,308	41,581	19,050
Postage	13,528	652	4,659	-	-	4,659	8,217
Computer Software	9,391	-	2,472	1,284	2,987	6,743	2,648
Small Tools & Equipment	9,336	-	1,118	-	-	1,118	8,218
Lease Payments	53,353	-	35,754	-	-	35,754	17,599
Interest & Late Fees	152	152	-	-	-	-	-
Equipment & Furniture	3,630	-	1,089	-	-	1,089	2,541
Vehicle Purchase	42,800	19,800	23,000	-	-	23,000	-
Computer Equipment	26,058	12,115	9,288	-	4,655	13,943	-
Accumulated Depreciation	10,387	-	-	-	-	-	10,387
Total Other Cost	\$ 9,078,543	\$ 187,802	\$ 699,065	\$ 6,729,224	\$ 1,135,849	\$ 8,564,138	\$ 326,603
Total Expenditures	\$ 10,753,746	\$ 402,325	\$ 1,073,840	\$ 6,997,177	\$ 1,482,981	\$ 9,553,998	\$ 797,423
	From attachment #7 & 8	From attachment #6	From attachment #7	From attachment #7	From attachment #7	From attachment #1	

¹ Calculation is based on STA's Audited Financial Statements for FY 2006/07.

² Exclusions are in accordance with OMB A-87.